

**ADMINISTRATIVE  
DISTRICTING IN CITIES OF  
THE CZECH REPUBLIC**

**CITY OF OSTRAVA  
CASE STUDY**

Prepared for



East European Regional Housing Sector Assistance Project  
Project 180-0034

U.S. Agency for International Development, ENI/EEUD/UDH  
Contract No. EPE-C-00-95-001100-00, RFS No. 404

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April 1997  
UI Project 06610-404

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# **ADMINISTRATIVE DISTRICTING IN CITIES OF THE CZECH REPUBLIC**

## **CITY OF OSTRAVA — CASE STUDY**

### **INTRODUCTION**

This report evaluates the practice of administrative sub-districting in cities of the Czech Republic, using the City of Ostrava as a case study. It was prepared for the City of Ostrava and the United States Agency for International Development, in response to a request of The Urban Institute.

The purpose of this evaluation was to:

- Identify the legal and historic basis for municipal districts in the Czech Republic, including major issues, political positions and proposed reforms;
- Evaluate the interaction between sub-districts in Ostrava and the central city offices in matters of consequence to local government;
- Estimate the economic costs of the current sub-districting arrangement in Ostrava and identify any special benefits stemming from this practice; and
- Assess various alternatives to the practice of administrative sub-districting and draw conclusions on the importance of reform.

Research on these issues was conducted in the Czech Republic during the period January 26-February 8, 1997. Urban Research, a local contractor, arranged meetings in Prague and provided background information on laws and regulations that pertain to municipal sub-districting. The following interviews were instrumental in understanding the pros and cons of this practice:

In Prague:

- Mr. Frederick VanAntwerp and Mr. Leos Jirasek, U.S. Agency for International Development
- Ing. Josef Dobry, Mayor of Prague-Letnany (District) and Deputy Chairman of the Committee for City Districts and City Subdistricts, Union of Towns and Cities
- Dr. Vera Kamenickova, Ministry of Finance, Czech Republic
- Ing. Jiri Mejstrik, Strategic Planning Department, City Development Authority, City of Prague
- Dr. Pazdera, Ministry of Interior, Czech Republic

In Ostrava:

- Lord Mayor Evzen Tosenovsky, City of Ostrava
- Ing. Milan Balaban, Deputy Mayor for Finance, City of Ostrava

- Ing. Karel Fojtik, Secretary, City of Ostrava
- Ing. Frantisek Vastik and Ing. Libuse Mynarova, Ostrava Transport Enterprise
- Ing. Cestmir Vlcek, Mayor of Ostrava Radvanice-Bartovice (District)
- Ing. Vladimir Vlcek, Deputy Fire Chief, Fire Rescue Department, City of Ostrava
- Ing. Berka and Mrs. Schaumanova, Financial Department, City of Ostrava
- Ing. Sonnek, Office of Chief Architect, City of Ostrava
- Mgr. Mastna, Property Department, City of Ostrava
- Ing. Jan Hulva, Commander, Municipal Police, City of Ostrava
- Mrs. Haskova, Mayor of Ostrava-Nova Ves (District)
- Ing. Mihal, Communications Authority, Ostrava
- Ing. Jiri Nemec, Mayor of Ostrava-Jih (District)
- Ing. Marta Szucsova, Bureau of Schools and Culture, Ostrava-Jih
- Ing. Michal Skrobanek, Ostrava Waste Removal & Handling Ltd. Co. (OZO)
- Representatives of Ostrava GIS Department

## LEGAL AND HISTORIC BASIS IN CZECH REPUBLIC

### *Existing Territorial Legislation*

#### **Regional Districts**

As enacted by Law of the Czech National Council, the country is divided into 73 regional districts, or counties, where state administration is performed by District Offices.<sup>1</sup> In each state administrative District, a District Parliament is elected and the District Office is chaired by an appointee of the National Government, proposed by the Minister of Interior. Members of the District Parliament are elected by local authorities in individual communities, with the number of District Parliamentarians ranging from 40 to 70 based upon the local population.

District Offices prepare budgets and manage affairs of the district territory. District Parliaments approve and control the District Office budgets and final accounts, and make all decisions concerning the allocation of national subsidies to municipal budgets.

Within the 73 districts, the country is divided into 6,232 communities, of which four communities have the status of *magistrate town*. The four magistrate towns—Prague, Brno, Ostrava and Plzen—are the largest communities in the Czech Republic, containing 20.3 percent of the nation's population (representing 2.1 million persons out of the national population). Given their size, the status of magistrate town confers upon them the ability to combine within themselves those functions that are handled by both

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<sup>1</sup> No. 425/1990 on District Offices and its amendments Nos. 266/1991, 321/1992 and 254/1994.

communities and state administrative districts. All other communities are provided services and resources by District Offices and District Parliaments.

**Table 1**  
**Size Structure of Czech Municipalities**

Population Size of Municipality	Number of Municipalities		Population (thousands)	
	Total	Percent	Total	Cumulative Percent
Less than 500	3,749	60.0	869.8	8.4
500 - 1,999	1,868	30.0	1,745.8	25.3
2,000 - 4,999	348	5.6	1,060.6	35.6
5,000 - 9,999	135	2.2	935.2	44.6
10,000 - 19,999	66	1.1	932.4	53.7
20,000 - 49,999	42	0.7	1,213.4	65.4
50,000 - 99,999	17	0.3	1,167.6	76.7
Over 100,000	7	0.1	2,408.4	100.0
Total	6,232	100.0	10,333.2	100.0

Source: Small Lexicon of CR Municipalities, 1995

Of the remaining population, the vast majority reside in small communities, with 90.1 percent of all municipalities in the Czech Republic containing less than 2,000 inhabitants. As Table 1 shows, nearly two in every three persons in the country's 10.3 million population live in communities of less than 50,000 inhabitants, while more than three in every four live outside communities of 100,000 persons or more. Between 1990 and 1992, the number of small communities grew rapidly when a newly enacted Law on Municipalities enabled them to become independent of larger settlements.<sup>2</sup>

### Statutory Towns

The Law on Municipalities, enacted by the Czech National Council in 1990, designated 13 large communities as *statutory towns*, or municipalities that can subdivide their territory into sub-districts or boroughs for administrative purposes. The statutory towns include six of the largest Czech cities with populations of more than 100,000 and 7 other communities that play a role as economic and social centers of their districts.

<sup>2</sup> No. 367/1990 on Communities and its amendments Nos. 439/1991, 485/1991, 553/1991, 302/1992, 68/1993 and 152/1994.

They exclude the capital city of Prague, which is governed by a separate law that subdivides Prague into 10 districts and 57 boroughs. Rank ordered by population size, the statutory towns are as follows:

- Brno
- Ostrava
- Plzen
- Olomouc
- Liberec
- Hradec Kralove
- Ceske Budejovice
- Usti nad Labem
- Pardubice
- Havirov
- Zlin
- Opava
- Karlovy Vary

According to the Law, sub-districts may be established in a statutory town by decision of the city assembly or by local referendum. Two or more neighboring municipalities may amalgamate upon mutual agreement and negotiation with the relevant District Office. The municipality which ceases to exist may become a sub-district when joining a statutory town. Whereas a municipality is a legal entity, owning assets and financial resources, a sub-district or borough does not have legal entity status.

### **Powers of Municipalities and Sub-districts**

The Law on Municipalities grants to communities both “Independent Actions” and “Assigned Powers”, or the right of self government and the delegated duties of state administration to manage their affairs. Within the framework of Assigned Powers, communities exercise delegated powers for which expenses incurred are reimbursed, as stipulated by law. The Assigned Powers include actions on:

- Land use and land withdrawal from agricultural production;
- Traffic restrictions, transport and road administration;
- Dwelling management;
- School attendance;
- Social care entitlements and labor relations;
- Population registration; and
- Support for cultural facilities.

In territorially subdivided statutory cities, sub-districts exercise the Assigned Powers of municipalities, unless this right has been reserved for the city office by the city assembly or municipal representative body. Magistrate towns which are statutory cities



exercise the state administration delegated to District Offices in their city or municipal offices. With regard to sub-districts, the municipal offices review their decisions and activities, and provide special assistance to them in the performance of their duties under Assigned Powers.

Within the framework of Independent Actions, the powers of municipalities include decisions on:

- Community authorities, establishing a city assembly, city council, mayor, committees and city or municipal office;
- Physical development programs and their implementation;
- Municipal asset management;
- Municipal budgets, fiscal management, accounting, local fees and charges;
- Municipal participation in companies, foundations, legal entities, facilities and voluntary or municipal associations;
- Development of education, social care, health care and culture;
- Establishment of municipal police;
- Garbage removal and disposal, water supply, waste water removal and treatment; and
- Other administration, maintenance and operation of facilities delivering public services.

In territorially subdivided statutory cities, sub-districts exercise Independent Powers by electing local councils and mayors, preparing sub-district budgets, procuring services, and levying own source revenues through sales, rentals and user chargers.

### ***Historic Basis of Territorial Districts***

The territorial subdivision of the Czech Republic into counties (District Offices) and communities (municipalities), and the City of Prague and 13 statutory towns into boroughs or sub-districts, essentially conforms to the spatial configuration of regional or district national committees, urban national and local national committees of the prior Czechoslovak Socialist Republic. As stipulated by law, a town essentially means a community in which an urban national committee had acted, though some towns have been established by the Czech National Council since 1990. By the same token, a sub-district was generally a place where a local national committee had exercised state administrative powers, though some municipal sub-districts have been further subdivided since 1990.

### ***Legal Bodies and the Legal Relationships Between Statutory Towns and Sub-Districts***

Territorially subdivided statutory towns are governed by municipal bodies. The municipal representative body or city assembly of each statutory town is comprised of 25 to 55 members, dependent upon population size. Elected in direct elections by the electorate of a community, the city assembly is the highest municipal body. Among its many powers of self governance, the city assembly selects the Mayor, Vice-Mayor and other members of the city council from among its membership, and establishes separate oversight committees by function. With the exception of land use planning, the city assembly is not entitled to take action in the realm of municipal Assigned Powers.

Relations between the statutory town and its sub-districts are governed by a general binding decree. The general binding decree must be in compliance with laws and regulations issued by the Czech National Council. The general binding decree is approved by the city assembly and includes decisions on:

- The number of city sub-districts or boroughs;
- The delimitation of their territory;
- The powers of local assemblies, local councils and their bodies with respect to Independent Actions and Assigned Powers;
- The powers retained by municipal authorities;
- The assets owned by statutory towns, such as communal housing, that are entrusted to sub-districts for handling, and the ways to manage these assets;
- The method of determining the percentage of government subsidies allocated to sub-districts for the performance of both Independent Actions and Assigned Powers; and
- The extent of authority to establish or dissolve legal entities and facilities.

In performance of their duties, sub-districts can undertake Assigned Powers for the benefit of other sub-districts. Since a city district can exist with fewer than 500 inhabitants, small boroughs often have certain state administration duties undertaken on their behalf by larger sub-districts. In the realm of Independent Actions, each sub-district has an elected assembly with representation declining in relation to population size, but the smallest city districts (under 3,000 inhabitants) do not have local councils. Each sub-district assembly to which assets are entrusted in accordance with their statutes has the power to make decisions on:

- Real estate acquisitions and transfers;
- Issuance of bonds;
- Acceptance of credit or access to debt; and
- Investments and equity interests in businesses.

Because sub-districts are not legal entities, their financial obligations ultimately become the responsibility of the statutory city if they are not adequately met at the local level.



The election system does not guarantee that all boroughs or sub-districts will be represented in the city assembly of the statutory town, which is elected based upon tickets submitted by individual political parties. The domiciles of candidates must be in the statutory town, but assembly members are not proportionately elected from the boroughs based upon population size or other methods of representation. As a result, some districts have no representation in the city assembly.

All statutory towns and the City of Prague are members of the Union of Towns and Communities of the Czech Republic (UTC). According to the UTC statute, if a statutory town is a member, its boroughs or sub-districts automatically become members. If the municipality is not a UTC member, the individual districts can join and pay separate fees on their own. The UTC maintains a Committee of Town Districts and Boroughs which represents all sub-districts in policy considerations at the national level. Sub-district mayors attend UTC meetings and participate in work of the Committee. The Committee has a 14-member Presidium on which every statutory town is represented.

### ***Potential Changes to Existing Territorial Legislation and Policy Positions***

#### **Regional Districts**

Reform of the Law on District Offices has been under consideration in the Czech National Council for some time. While passage of a new law is not expected before the 1998 election, the tenor of discussion has been on whether or not the number of counties should be reduced and larger geographic regions formed around major municipalities. If such a change were enacted, the territory and population of some statutory towns and the City of Prague could be enlarged.

Related to the issue of regional redistricting, the minimum size for a viable community from an efficient service-delivery perspective is now being discussed in the Czech Republic. The models most in favor appear to be those of Austria and Finland, with population thresholds of 3,000 and 10,000 respectively.

#### **Statutory Towns**

A new Law on Municipalities is similarly under consideration in the Czech National Council. It is being discussed by all the statutory towns and small municipalities thinking of amalgamating with bigger cities, but there is little will on the part of Parliament to pursue its drafting and no action is likely until after regional district reform. According to Dr. Pazdera of the Ministry of Interior, the main reason for a new act is that many "gaps" have been revealed in the existing law, sufficient time was not available in the enactment to work out various legal regulations, and many provisions are now outdated. The revealed gaps do not concern the issues of sub-districting and the new Law on

Municipalities will not change these provisions because they are quite “flexible,” as the delegates intended them.

### **Policy Positions**

Neither the Ministry of Finance, nor the Ministry of Interior, have evaluated the practice of municipal sub-districting. Other than to regard these actions as an “internal affair” of statutory towns, the national government ministries do not maintain policy positions on the issue. Nor is there evidence that the various political parties have taken stands on the related issues. In effect, there is no national debate on the relationship between boroughs or sub-districts and their municipalities. The structure of these relationships is considered to be solely each municipality’s responsibility.

Concerning the issue of proportional representation in municipal self governance, the UTC Committee of Town Districts and Boroughs has proposed that all sub-districts be represented by borough mayors in a “second tier” of a bi-cameral city assembly. Technical issues associated with the proposal have been satisfactorily defended by the UTC Committee. However, even after discussion of the proposal in the Czech National Council, no Parliamentarian was willing to identify with the approach in order to initiate required amendments to the existing legislation.

## **COMPARATIVE ADMINISTRATIVE CONDITIONS IN THE CZECH REPUBLIC**

### ***Capital City of Prague***

#### **Administrative Structure**

The City of Prague is governed by a special law that divided the capital into 10 state administration districts and 57 boroughs. Between 1990 and 1993, 5 new regional districts were formed, partly from autonomous housing estates that developed, to currently comprise 15 state administration districts overlaying 57 small city districts. With a population of 1,214,585 as of 1995, Prague’s 57 boroughs range in size from 147,000 to 200 inhabitants, each with its own mayor, elected assembly, district office and budget. Borough assemblies range in size from 9 to 60 representatives. Not only do boroughs vary in population and representation, they also differ considerably in land area, financial resources and functions performed.

Some city boroughs are so small they exercise few, if any, of the Assigned Powers of state administration. These duties are performed for them by higher aggregations of administration, established by legal regulation of the city assembly in 1994 and comprised of groupings of the 57 sub-districts. For example, there are:

- 12 revenue offices;



- 27 business registration offices;
- 26 construction and building permit offices;
- 10 labor relations offices;
- 27 population registration offices;
- 15 social welfare offices; and
- 13 social care offices.

However, given the statute and the existence of elected representatives, each borough must perform its “Independent Actions” or exercise the powers of self government. In some cases, this presents serious problems, according to Ing. Jiri Mejstrik of the Strategic Planning Department of the City of Prague. Borough mayors tend not to be full-time professionals and cannot cover the wide range of activities that are required.

### **Financial Characteristics**

Currently, the total budget of Prague amounts to operating and capital expenditures of 25 billion CZK, of which the consolidated budget of 57 boroughs accounts for 5 billion CZK, primarily operating or non-investment expenses. From the perspective of annual outlays, education and internal administration represent the two most important borough functions, followed by environmental protection and social welfare. In the past, there has been a clear tendency to transfer activities from city hall to the boroughs, not always with a related transfer of financial resources. As a result, the boroughs try to refuse the transfer of these obligations to them. The city administration does not trust that the boroughs will use their financial resources efficiently, and thus disperses them in small amounts and under strict conditions.

All 57 boroughs receive financial resources for internal administration, allocated on a per capita basis. In addition, they receive single purpose subsidies to use for specified activities, allocated on a per capita or other formula basis. Boroughs must account to city hall in detail for all state and municipal budget subsidies. Investment subsidies to boroughs are minimal, and stable or decreasing over time. Boroughs generate their own source revenues through the sale of flats from managed communal housing stock, real estate tax proceeds which are minimal, proceeds from organizations established and managed by boroughs, and miscellaneous local fees. Sub-district budgets are balanced. Cost over-runs are not significant, but the financial situation in some boroughs may be serious and solved by revenue transfers from the city budget.

### **Future Directions**

As part of the Strategic Plan process, the Mayor of Prague has assumed the assignment of redesigning the geographic structure of the city. Currently under consideration is the possible future subdivision of Prague into about 20 boroughs. Ideally, new sub-districts would be homogeneous in population size, territory and functions, or

have roughly 60,000 inhabitants each. Such a restructuring would probably entail boundary changes even in the ten main districts of Prague, such as the consolidation of Prague 2 and Prague 3. Related urbanization and organizational studies are now underway, such as one assessing the potential physical evolution of the city from a monocentric to a polycentric pattern of development. The proposed administrative sub-districting structure will be related to the economic and physical master plans, and eventually to the capital investment plan for the city.

**Table 2**  
**Large Statutory Towns and Their Sub-Districts**

Town	Population (end of 1994)	Number of Sub-Districts	Largest Sub-District Population	Smallest Sub-District Population
Brno	389,965	29	70,000	260
Ostrava	325,670	23	120,000	600
Plzen	171,801	8	55,000	800
Olomouc	104,965	0	—	—
Liberec	100,743	2	94,000	6,000
Hradec Kralove	100,716	0	—	—

Source: Urban Research

### ***Statutory Towns Over 100,000***

As Table 2 shows, of 6 statutory towns of greater than 100,000 population, 4 cities have a total of 62 sub-districts, ranging in population size from 120,000 to 260 inhabitants. Olomouc and Hradec Kralove have not subdivided their territory, but deliver all services centrally, while Liberec has essentially established one borough, with the remaining town portion governed by the mayor. Brno and Ostrava are roughly comparable in averaging one borough per 13,000-14,000 inhabitants overall.

### ***Statutory Towns Under 100,000***

As Table 3 on the next page shows, of 7 statutory towns of less than 100,000 population, only 2 cities have sub-districts, Usti nad Labem and Pardubice. No statutory town with 55,000 to 90,000 inhabitants is subdivided, while the remaining town of over 90,000 population—Ceske Budejovice—is centrally administered. For the two territorially



subdivided towns, the average district serves 24,000 persons and the 8 actual sub-districts range 5,000 to 35,000 inhabitants.

**Table 3**  
**Small Statutory Towns and Their Sub-Districts**

Town	Population (end of 1994)	Number of Sub-Districts	Largest Sub-District Population	Smallest Sub-District Population
Ceske Budejovice	99,793	0	—	—
Usti nad Labem	97,248	4	35,000	15,000
Pardubice	94,141	4	20,000	5,000
Havirov	87,703	0	—	—
Zlin	83,461	0	—	—
Opava	62,718	0	—	—
Karlovy Vary	55,532	0	—	—

Source: Urban Research

## EXISTING ADMINISTRATIVE CONDITIONS IN OSTRAVA

### ***Socioeconomic Characteristics***

Created essentially by annexation, the City of Ostrava is a mosaic of villages and towns that grew rapidly after World War II with the development of steel production, metallurgy and chemical manufacturing, anchored by coal mining. With the closure of 15 coal mines, the pending privatization of heavy industry, and the downsizing of enterprises from large to moderate size, Ostrava's economy is undergoing a gradual transformation from an industrial base to a more balanced and service-oriented economy. Until recently, job losses in coal and steel production have all been absorbed by growth in the service sector. Now, the unemployment rate of 5.5 percent registers a slow growth that will likely continue, linked to changes in the steel industry. Ostrava's current population of 330,000 residents also reflects a slight gain, as the country's rural inhabitants migrate to cities seeking better opportunities and a higher standard of living.

### ***Administrative Conditions***

The rights and obligations of state administration duties (Assigned Powers) have been delegated to the City of Ostrava as a municipality. They have been redistributed to 23 sub-districts (City Districts) by the City on its initiative, as the right of a statutory city. The Ostrava City Statute established 23 self-administered municipal districts in 1991 from four national committee districts and a handful of newly annexed communities. The 23 City Districts have Assigned Powers and Independent Actions of self governance. They exist at the will of the City, without legal entity status. Each has a representative



Assembly, elected on the municipal election cycle every four years, a Mayor elected by their assemblies, and sub-district offices with salaried administrative staff. Most City Districts have an elected Council. The City Districts are empowered to deliver certain municipal services to their residents, and delegated to perform state administration duties for their territories and, occasionally, adjoining areas.

Certain state administration services were retained by Ostrava City Hall because they are more efficiently distributed on a centralized basis; for example:

- Water supply and waste water treatment;
- Environment;
- Property office; and
- Licensing for tradesmen.

The state administration services performed at the sub-district level, where the districts have the same decision-making powers as the City, include:

- Building permit issuance;
- Old age care;
- Education; and
- Population registry.

Other state administration duties, such as entitlements and social services, have been delegated to free-standing offices. There is also a division in self government services between centrally administered, enterprise-based, and delegated municipal duties performed by the sub-districts. These are discussed in “Centrally Provided Self Government Services” on page 14.

Interaction between Ostrava City Hall and the City District offices occurs in budget preparation, revenue generation, service delivery, consultation with citizens, land use planning and development, and general administration. Sub-district budgets are prepared with City Hall, approved first at the City Assembly level and then at the District Assembly level. The City Architect's Office is informed of property sales, which must be approved by the City Council; the City Control Department is provided copies of sub-district procurement contracts; and the City Finance Department is advised of revenue raised through private borrowing. As of this year, all new loans must be approved the City Assembly. Though City Hall is provided information on sub-district expenditures throughout the year (electronically by modem, in the largest districts), the actual budget reconciliation between revenues and expenditures does not occur until end-of-year close-outs and fiscal year audits of the sub-district accounts. Any shortfalls in district resources become obligations of the City of Ostrava.

In establishing the distribution of Assigned Powers within the city, the Ostrava City Statute also determined the distribution of tax revenues and subsidies. The national government provides subsidies for the delivery of state administration services and capital investment purposes, but subsidies generally do not cover costs. The City Statute established several criteria for distributing subsidies to the sub-districts on a formula basis, such as population, land area, and caseload (pupils, beds, permits issued). In supplementing sub-district budgets, Ostrava typically covers administrative and overhead costs. The City also provides districts with additional revenues to keep the overall budget level at least equal to the prior year.

Sub-districts have their own sources of revenue independent of Ostrava City Hall, including the real estate tax yield and income tax from self employment. Not all these sources are directly under the control of sub-districts, producing revenues when needed. Taxes on self employment and real estate, which collectively amount to 20 to 25 percent of all sub-district resources, are collected by the State District Office and transferred to the Ostrava City government. The City receives tax revenues throughout the year and sub-districts are kept informed of their potential yield. Before the end of the calendar year, the City government passes down revenue from these taxes to the sub-districts, but often, the resources are received too late for use in the current fiscal year.

To a considerable extent, City Districts utilize private service providers to execute their duties, conforming to the public law on procurement which requires competitive bidding for contracts of more than 100,000 CZK. The sub-districts monitor performance and penalize private providers when service delivery performance is lax or inadequate. City Districts also undertake capital investments, either through the purchase of property, the establishment of enterprises, the maintenance or development of schools and communal housing, or the upgrade of communal infrastructure systems. Segments of infrastructure networks that cross sub-district boundaries can present problems in maintenance and improvement. In Ostrava, most regional infrastructure systems are centrally administered or enterprise-based, like public transport and major roadways. These providers meet periodically with sub-district mayors to review proposed actions. Local roads not used by the public transport system and natural gas distribution networks are the responsibility of sub-districts and require self-initiated coordination between adjoining districts.

### ***Financial Conditions***

The consolidated budget of the City of Ostrava, as approved by the City Assembly for 1996, exceeds 5.1 billion CZK for all operations and investment purposes. Of this, the approved budget for the 23 sub-districts was 1.8 billion CZK, or 35 percent. For Fiscal Year 1996, the Actual Budget for all City Districts is estimated to reach 2.08 billion CZK by year-end, or exceed the Approved Budget by 261.5 million CZK. Half of all revenues required to fund the increase in actual expenditures are expected to come from surplus funds, while subsidies and own source revenues will account for the remaining difference.



Taxes on self employment, which amount to 380 million CZK, have decreased over previous year collections, as businessmen have learned to incorporate for their protection and are thus subject to national level tax sources. Real estate tax collections, which amount to only 90 million CZK, represent an exceptionally low tax liability which will likely increase in future years as property values are adjusted upwards. Sales of property are expected to contribute roughly 150 million CZK or 7 percent to total revenues.

On the expenditure side, the operating budget at 1.6b CZK is expected to comprise 76 percent of the Actual Budget and represents an increase over the Approved Budget of 166.7 million CZK or 11.7 percent. At nearly 500 million CZK, capital expenditures are 95 million CZK more than originally anticipated and reflect the increase in subsidies over the Approved Budget. Purchased services or procurement from private vendors represents about one third of the annual operating budget of the sub-districts, while small city hall staffs and administrative costs comprise about one fifth. Major functional categories of operating expense are education (at 280 million CZK without salaries), internal administration including payrolls, social service entitlements, housing and other housekeeping services. Increases in operating expenditures over the Approved Budget were driven largely by costs of the latter services, education, water fees and internal administration. Debt service on loans accounts for nearly 67 million CZK or only 3 percent of all expenditures. As legally required, the consolidated sub-district budget is in balance. Table 4 on the next page shows the approved budget for all sub-districts by revenues and expenditures.

### ***Centrally Provided Self Government Services***

The major centrally-provided services of the City of Ostrava are administered either through municipal departments or wholly-owned authorities subsidized by the municipal budget. In recent years, as new equipment and technology have been introduced, these services have become even more centralized in their location of facilities and service delivery patterns. Based upon interviews with administrators, this section of the report briefly describes the operational and investment practices of the Ostrava Transport Enterprise, the Fire Rescue Department, the Communications Authority, and the Ostrava Waste Removal and Handling Ltd. Co. (OZO).

#### **Ostrava Transport Enterprise**

Dopravni Podnik Ostrava, the Ostrava Transport Enterprise, is a wholly-owned joint stock company of the City of Ostrava that provides public transportation services to the City and 16 communities outside Ostrava. A fleet of 732 trams, trolley-buses and buses operate around-the-clock to provide 39 million kilometers of fare-subsidized service to a quarter million passengers annually. Because of structural changes in the economy and increases in auto ownership, ridership demand has been steadily decreasing, by 5 percent yearly since 1989. A recently imposed 25 percent fare increase is expected to

trigger an additional 3.5 percent decline in 1997. Nonetheless, public transport still serves 70 percent of the market and the City's heavy subsidy (69 percent of the cost of a ride in 1997) contributes to transport being the single largest item in the municipal operating budget.

**Table 4**  
**1996 Budget of 23 Sub-Districts in the City of Ostrava (CZK thousands)**

Budget Item	Approved Budget	Adjusted Budget	Actual Budget	Actual Less Approved
<i>Revenues</i>	<i>1,820,293</i>	<i>2,138,523</i>	<i>2,081,819</i>	<i>261,526</i>
Own Sources	394,303	436,930	463,445	69,142
Charges, Taxes and Fees	534,285	530,065	521,865	(12,420)
Credits and Communal Obligations	103,416	100,224	62,374	(41,042)
Subsidies	342,291	418,930	419,195	76,904
Sale of Property	156,986	176,888	149,148	(7,838)
Other Revenues	177,136	212,770	218,103	40,967
Surplus	111,876	262,716	247,689	135,813
<i>Expenditures</i>	<i>1,820,293</i>	<i>2,136,634</i>	<i>2,081,819</i>	<i>261,526</i>
Water Fees	19,958	67,195	59,616	39,658
Transportation	94,746	102,096	90,845	(3,901)
Education	379,890	442,303	433,686	53,796
Culture	22,703	27,620	27,828	5,125
Social Services	211,385	166,781	167,534	(43,851)
Housing and Other Services	343,759	331,170	422,397	78,638
Internal Administration	284,291	351,826	322,248	37,957
Debt Service	67,470	63,372	66,769	(701)
Operating Total	1,424,202	1,552,363	1,590,923	166,721
Capital Expenditures	396,091	584,271	490,896	94,805

Source: Ostrava Department of Finance

The Board of the Ostrava Transport Enterprise is drawn from City Assembly members and the fare level is established by the Assembly. City Hall exerts a supervisory role over the operations and investment of the transport system. City Districts have no say over the authority's finances and do not contribute to the budget. In 1996, 16 outside communities purchased service by contributing 12 million CZK to the operating subsidy, while the national government contributed 50 million CZK to the investment subsidy. Though City Districts have no leverage over the authority, transport officials meet with district mayors to discuss service changes reflected in timetable schedules.

In 1996, the Ostrava Transport Enterprise incurred a 750 million CZK deficit, requiring a 600 million CZK subsidy for operating purposes and 150 million CZK for



investment. About half of the fleet is beyond its useful life and new equipment now costs six to fifteen times its original price. Although the fleet was revalued on a cost replacement basis (less amortization) in 1996, sufficient funds are not available to quickly bring the system up to a state of good repair. Thus, prudent management and highly centralized plans for investment (based in part on ridership demand) govern the pattern and location of improvements to public transport. Trams are favored because of a longer useful life (up to 35 years with maintenance), a higher subsidy in investment by the national government (30 percent), and a greater efficiency in operations relative to trolley-buses and buses measured by passenger kilometers. In the interest of cost savings and the environment, bus service is being dropped where it parallels fixed rail trams, and buses are being excluded from the city center. High capacity tram services may be extended outward to high density residential areas if proven feasible.

### **Fire Rescue Department**

Under a new fire code promulgated by the Ministry of Interior, the Ostrava Fire Rescue Department has been organized into 5 professionally-manned fire stations with an 8 minute response time (reflecting a near proportional distribution to population and land area), a centrally-located Emergency Response Center, and 24 volunteer stations classified into three performance levels. One of the five fire stations is an integrated rescue station with police, fire and ambulance services, while the Emergency Response Center is a state-of-the-art dispatch center for state and municipal police, fire and ambulance services, equipped with audio/video telecommunications and computer-based geographic information and positioning systems (GIS and GPS) to access equipment, site plans, property databases and infrastructure system layouts. Two hundred and eighty-eight professional firefighters and six hundred volunteers are in the Fire Rescue Department.

The principle part of Ostrava's Fire Rescue Department budget, or approximately 80 percent, is funded by the Ministry of Finance, based upon recommendations of the Ministry of Interior. Budget control passes to the municipality which supplements these funds. In 1997, the Department's operating budget was 117 million CZK and its investment budget, 32 million CZK, of which respectively 12 million CZK and 15 million CZK was authorized by the City of Ostrava. The Emergency Rescue Center cost US\$3 million over a two-year period, of which Ostrava contributed US\$1 million. With scarce resources, the Department favors the development of integrated rescue stations. From an investment perspective, the savings can be considerable: it costs 26 million CZK to build a consolidated station versus 60 million CZK to build three separate stations for police, fire and ambulance services. The next integrated station is planned for Privoz, near the D 47 alignment, and three additional integrated stations are identified in the Master Plan—in Radvanice a Bartovice, Polanka nad Odrou, and Nova Bela.

Existing volunteer stations, which are located in every sub-district, will be evaluated according to their service area and performance level classification, as follows:

- Level I: 6 stations with 10 minute response time to the entire city;
- Level II: 11 stations with 10-20 minute response time to own districts; and
- Level III: 7 stations serving individual districts.

Because volunteer services must be provided with all fuel, clothing and equipment from the Department's budget, only the first two levels are currently municipally-funded. Sub-districts are responsible for costs associated with volunteer fire stations. In comparison to professional firefighters, volunteer services are not as effective in urban settings and under fire repression circumstances. In 1996, the 24 volunteer stations answered 200 calls, typically for grass fires, whereas the Fire Rescue Department and fire departments in factories answered nearly 6,000 calls. In the future, the Department proposes to train and equip only six Level I volunteer services, with the remaining eighteen volunteer services to become fully dependent upon sub-district resources.

### **Communications Authority**

Founded by the City of Ostrava, the Communications Authority is a nonprofit enterprise wholly-owned and publicly subsidized, which is responsible for the maintenance of state-level roads and roads used for public transport in Ostrava and its environs. This territory, which extends nearly to the Slovakian border, comprises a road communications network of 194 kilometers. Maintenance of all other communal roads and walkways in the City are the responsibility of sub-districts. They amount to a considerable 900 kilometers. Ostrava's road system is identical with other area networks in that roadway rights-of-way contain infrastructure for telecommunications, gas and other systems. The system differs, however, in two important respects: area covered by the road network was substantially undermined by the coal mining industry, causing episodic shifts in bridge structures and roadways; and 60 percent of the vehicles carried by the system are trucks, causing substantial wear-and-tear even on solid roadbeds.

In 1997, the national government assumed financial responsibility for category 1, 2 and 3 roads in the system, becoming the source for two thirds of the Authority's budget. Central government budget cuts have thus been reflected in a substantial reduction in the communications budget, from 160 million CZK in 1996 to 120 million CZK in 1997. The Authority has recently proposed to expand its network coverage to include year-round maintenance and snow removal on 90 kilometers of communal roads with public transportation, bringing their total coverage to 80 percent of traffic-bearing conditions. Districts do not have the facilities or equipment to properly maintain these roads, private contractors have inadequately serviced them in the past, and occasionally unique professional skills like bridge engineering are required. In its initial stages, in 1991, the Authority asked for overall coverage of the city, but sub-district mayors wanted communal responsibility and the associated subsidies.



Since its establishment, the Communications Authority has centralized its operations, consolidating five dispersed facilities into one central office/dispatch facility which administers services to the entire territory. From a capital investment perspective, capacity is adequate to administer the entire 1,100 kilometers of streets and roads, but manpower would require additional staffing. Other cities have served comparably scaled networks. In Brno, reorganized as a joint stock company, the Communications Enterprise maintains all state-level and communal roads, while sub-districts handle only sidewalks. Some mayors of Ostrava sub-districts would like to be relieved of communal road maintenance duties. The Authority currently meets with district mayors on a monthly basis and does special work for districts on a reimbursed basis. The current proposal is being debated and district mayors will be required to give their approval. In addition to maintenance of all communal public transport roads, the Authority would maintain traffic lights and do snow removal throughout the municipality.

### **Ostrava Waste Removal and Handling Ltd. Co. (OZO)**

OZO is a wholly-owned company of the City of Ostrava, established by the City Council to remove, separate and dispose of communal waste generated by inhabitants of Ostrava and its immediate environs (population of 380,000). The company operates under direct contract with every household, commercial facility and institution. Communal collection is subject to price control but industrial refuse removal is optional and can be negotiated at free market prices. No municipal subsidy is entailed and the company's dealings with sub-districts are minimal, as OZO directly contracts with 35,000 households to remove garbage. Household contracts are based upon total expenses net of recycled scrap plus a 5 percent planned profit.

In Ostrava, annual garbage collection amounts to 100,000 tons, 80 to 85 percent of which is household refuse. After ashes from coal furnaces are dumped, approximately 40,000 tons of domestic refuse are incinerated and the bulk of remaining refuse is recycled as fertilizers or metal scrap. Burnable garbage is loaded on trucks and shipped to Brno at cost where an incinerator burns the refuse free-of-charge to supply district heating. Originally, in the 1980s, Ostrava's waste removal operations were equipped with a large, fully-automated sorting plant (now manual), an incinerator (now idle), and plans for a garbage-fueled electric power station. OZO has the capability of restarting its incinerator and supplying center city apartment buildings with steam district heating, thereby eliminating a substantial number of coal burning furnaces.

Because OZO has a significant capital investment from the 1980s, has developed recycle markets and favorable incineration agreements, and can subsidize its mandated operations with market-priced industrial collection, the company effectively delivers quality service to households in a low-cost manner. Sufficient capacity exists to serve an even larger geographic area, like the Northern Moravian Region, from its one central location, simply by doubling the number of shifts per day. The company has many requests from

surrounding communities to provide services in lieu of private contracts that have not worked. Its relations with City Districts are generally smooth, with conflicts arising only regarding access to places where illegal dumping is occurring.

### ***Issues of Delegated State Government Powers of Districts***

Interviews conducted during this study focused on service delivery issues affected by the size and number of sub-districts. Potential cost savings from district consolidation or the use of computer technology are evident in a number of cases.

#### **Building Permit Issuance**

To assure conformity with the City's Master Plan, planning permission is granted for site development by the Chief Architect's Office in Ostrava City Hall. Building permits are issued by the sub-districts upon inspection of building plans for conformity with technical code specifications. For simple construction projects, limited in size or repair nature, the City Districts can issue both permits. Sub-districts closely guard their permit-issuing powers, citing local knowledge of conditions and easy access on behalf of builders as critical to development. In fact, the underlying issues of local control over development and need for bargaining power in development exactions are likely the real considerations.

Using Ostrava's computer facilities, networked internally at City Hall and connected by modem to larger sub-districts, building permits could be more efficiently issued from a central location where code conformance is performed. Permit applications could be taken by computer in a few large district offices and building plans scanned in for transmission. The City's Fire Rescue Department already assists in some code conformity evaluations, regarding building fire and safety codes, and could represent an alternative intermediate level input. The centralization of permit authorization would not only result in cost savings, but, by coordinating this effort directly with land use and zoning data through geographic information system (gis) capabilities in the master planning process, a valuable data base on existing conditions could be updated in real time.

#### **Population Registry**

National vital statistics on births, deaths, marriages and migration are collected locally by recording such events in the population registry of sub-districts. In larger sub-districts, typically one person handles this function on a full-time basis, while in smaller sub-districts, registry tasks may be shared along with other diverse responsibilities on a part-time basis. A computer data base containing the City's population registration by



name and address can be accessed by larger sub-districts with modems. This data base provides the framework for centralizing the collection and maintenance of all vital statistics changes in a real time electronic environment. This will provide not only administrative cost savings, but also essential planning information. A limited number of field stations should be maintained for input, consistent with the system for building permit applications.

## **Education**

Although teacher's salaries, textbooks, and curriculum development are responsibilities of the central government, administration of the kindergarten through junior high school educational system has been delegated to sub-districts, including the development of new school facilities. Administration entails the assignment and transport, if necessary, of children to schools, the daily maintenance of school buildings, and general oversight of the school system's performance in meeting residents needs. The central government provides per pupil subsidies, which are supplemented by the municipal government, and the state pays for most capital expenditures. City Districts can also earn income by renting space in school facilities.

Education represents a major component of a sub-district's operating budget and merits close examination. Problems may occur in cleaning, maintaining and repairing school facilities, but provision and oversight of these services are nonetheless better performed at the local level with individuals on-site, as in most sub-districts. Given the multiplicity of sub-districts and their wide variance in school population size, the efficient use of school facilities is an issue. As populations age in place and young families become concentrated in newer housing areas, school buildings can empty out and new facilities are required elsewhere. Small districts are particularly subject to the swings in school population. Larger districts are better able to assign students for efficient use, not only by their greater number of opportunities, but also by busing in the short term and by coordinating housing development with school capacity in the long run.

## ***Issues of Delegated Self Government Powers of Districts***

On behalf of the City of Ostrava, sub-districts deliver local government house-keeping services to their residents, manage communally owned properties, invest in real estate and enterprises, and represent citizen needs and priorities in the public agenda. Many duties of public house-keeping and communal housing management are contracted to private providers and overseen by district staff, including street and sidewalk sanitation, snow removal, public lighting and cemetery maintenance, greenery upkeep, housing rent collection and property management. The degree to which both private providers and

district staff efficiently deliver services is often a function of scale: though small districts can glean contributions from local companies and hire part-time handymen, big districts realize economies through cost-competitive public bidding. Differences in public sector productivity are evident when one compares total district expenditures per district payroll, as discussed in “Productivity of Overall Administration” below. The following sections briefly discuss issues in some delegated duties of self government.

### **Communal Housing Management**

The majority of Ostrava’s housing stock is managed by the 23 sub-districts, with much of it substandard for the needs and preferences of the population. While the City and the districts intend to sell off most of the housing, to minimize future maintenance expenditures, cost-effective privatization requires that buildings be taken over as a whole, rather than piecemeal with apartments sold on a spotty basis. Then again, some properties will be more marketable if units are consolidated or modernized; other stock built of concrete panels with a 50-year life requires full-scale replacement. The issues of communal housing stock management in an interim care-taker period, and the longer term goals of housing privatization and stock replacement, are complex and demand professional expertise. How well districts perform in property management is largely a function of the quality of their staff—which in turn reflects pay levels, equipment and resources—and ultimately, their scale of operations. Small districts cannot retain full-time lawyers or housing specialists: with scarce resources, housing management or sales decisions are often made in opportunistic, not strategic ways.

### **Property Sales and Borrowing**

City Districts have the power to sell property, including apartments and raw land, upon approval of higher level authorities. In the past, there have been questionable sales from several standpoints: overall, property is not inventoried well enough to know what is communal and salable; not all city property is valued yet and market prices for “comparables” are not well established. Contract negotiations have not always been in the interest of the City or the District. The independent actions of sub-districts to sell property for immediate or longer term revenue needs should be carefully controlled by Ostrava City Hall. Districts need to compile inventories of land available for sale in conformity with the City’s Master Plan.

City Districts also have the power to enter into credit obligations with private lenders. Although debt levels are not extreme and some districts are debt averse, instances have occurred where sub-districts have borrowed to cover cost overruns or to finance capital expenditures beyond their means. Rather than an issue of scale, improper borrowing is a question of district leadership competence. When a sub-district borrows beyond its means, or otherwise overspends its resources, the City of Ostrava must assume the obligation or lend districts the resources to cover any shortfalls. Since City Districts do not have legal entity status, credit obligations incurred by them must be



approved by the City Assembly, even though district assets (like real property) are used as collateral. In the past, the Ostrava City Hall has provided interest free loans to City Districts to avoid potential defaults.

### **Maintenance of Local Roads**

District sanitation services clean and maintain over 80 percent of all streets and 100 percent of all sidewalks in Ostrava, including communal thoroughfares used for public transportation purposes. District services include snow removal and street lighting which can become considerable deterrents to effective traffic management if neglected. Though not part of the state road network, local roads are elements of a regional transportation network and, because of spill-over and diversion effects, their maintenance issues go beyond the immediate environs of a sub-district. Because of heavy equipment requirements, these services are usually contracted out to private providers selected through a competitive bidding process, though small districts report the use of volunteer services and equipment by local institutions. Larger districts with greater service requirements have more bargaining power, while smaller districts may be charged relatively more by private vendors. When asked about broader coverage by the Communications Authority, one sub-district mayor thought it might represent a cost savings.

### **Productivity of Overall Administration**

Internal administration accounts for a significant share, or one fifth, of sub-district operating budgets, while payrolls for full-time workers consume fully half of internal administrative costs. Across all sub-districts, as Table 5 shows, the annual payroll outlay ranges from as low as 1 million CZK (Nova Ves) to as high as 31 million CZK (Ostrava-Jih), reflecting not only a more than tenfold difference in full- and part-time employment levels but also extreme differences in average worker salaries. Total expenditures, or actual budget outlays for 1996, show an even more marked variance between sub-districts, ranging from a low of 3.4 million CZK (Pustkovec) to a high of 613 million CZK (Moravska Ostrava a Privoz). While these ranges mask structural differences in the mix of services delivered and their relative costs, they nonetheless reflect sub-district performance in response to local demand for state administrative and self government services.

If one compares the district level of actual expenditures for all operating and investment purposes with the administrative payroll as a proxy for public sector productivity (output per unit of labor input), it is apparent that pronounced differences in labor productivity exist between districts irrespective of their population size or land area. On a citywide basis for all districts, 13 CZK of output are delivered per unit (1CZK) of labor cost, while on a district-by-district basis, output is valued as much as half again higher (up to 21 CZK) in the larger districts, and as little as one-sixth (down to 2 CZK) in

the smaller districts. To be sure, there are exceptions to these conclusions, but essentially, the northern and southern villages, and several older but smaller settlements are the least cost-effective in service delivery in a general sense. Organized into low, medium, and high ranges of performance in the value of output per unit of labor input, the classification of sub-districts is as follows in descending order:

- *High Performers (18 to 21 CZK of output per 1 unit of labor input)*
  - Moravska Ostrava a Privoz
  - Marianske Hory a Hulvaky

**Table 5**  
**Population and Public Sector Expenses in Ostrava Sub-Districts, 1996**

Sub-District	Resident Population	Public F/T and P/T Employment	Annual F/T Payroll ('000 CZK)	Actual 1996 Budget ('000 CZK)
Hostalkovice	1,518	33	1,241	8,142
Hrabova	3,437	53	2,117	26,626
Krasne Pole	1,959	55	1,668	10,574
Lhotka	949	32	1,535	14,611
Marianske Hory a Hulvaky	13,463	126	9,377	167,242
Martinov	1,078	31	1,954	12,186
Michalkovice	2,684	37	2,863	18,135
Moravska Ostrava a Privoz	45,808	274	29,022	613,431
Ostrava-Jih	120,926	343	31,126	436,772
Nova Bela	1,472	21	1,646	11,742
Nova Ves	644	26	1,113	12,237
Petrkovice	2,747	55	3,098	14,734
Plesna	1,022	23	1,183	8,909
Polankanad Odrou	4,107	60	2,617	23,146
Poruba	81,106	287	26,463	272,949
Proskovice	1,070	25	1,218	6,775
Pustkovec	965	19	1,805	3,411
Radvanice a Bartovice	6,061	46	3,198	47,747
Slezska Ostrava	20,043	187	18,231	200,126
Stara Bela	3,078	29	2,225	24,324



Svinov	4,591	61	4,441	45,643
Trebovice	1,655	22	2,081	13,099
Vitkovice	7,338	124	8,827	87,434
Total	327,721	1,969	159,048	2,079,995

Note: F/T and P/T are full-time and part-time

Source: Ostrava Department of Finance

- *Medium Performers (9 to 15 CZK of output per 1 unit of labor input)*
  - Radvanice a Bartovice
  - Ostrava-Jih
  - Hrabova
  - Nova Ves
  - Slezska Ostrava
  - Stara Bela
  - Poruba
  - Svinov
  - Vitkovice
  - Lhotka
  - Polanka nad Odrou
- *Low Performers (2 to 8 CZK of output per 1 unit of labor input)*
  - Plesna
  - Nova Bela
  - Hostalkovice
  - Krasne Pole
  - Michalkovice
  - Trebovice
  - Martinov
  - Proskovice
  - Petrkovice
  - Pustkovec

In general terms, the implications of such broad differences are that fewer services are delivered by the Ostrava City Budget at existing payroll levels than would be the case if all districts performed at higher levels of productivity, or alternatively, the existing level of output could be produced at lower aggregate payroll levels.

## ECONOMIC COSTS AND BENEFITS OF SUB-DISTRICTING

### ***Benefits of Sub-Districting***

A major benefit of sub-districting is the greater degree of consultation with the citizenry afforded by a decentralized system of self-governance and state administration. Several avenues of communication with district inhabitants are utilized:

- Open door to mayor's office in district halls, on established basis;
- Open attendance to District Assembly meetings, held five to six times per year;
- Public hearings held for large or significant projects;
- Periodic newsletters published and freely distributed; and
- Local cable television coverage of district mayors or events.

As a consequence, mayors report they are closer to district problems and can more readily identify solutions. A related benefit is the reputed cost savings of neighborhood level organization and delivery of services, fostered in part by knowledge of local conditions and input from local inhabitants. Mayors contend that small districts will be neglected in citywide competition for services and investment without a local voice. The City Assembly is not elected on a proportional representation basis, which would provide equal voice to all areas relative to their population. As a result, power centers and party politics can effectively exclude consideration of small area needs and interests.

However, the role that mayors and district offices play as a switchboard between local and citywide governance issues is debatable, without elected decision-making power at both levels. For one, the frequency of need for contact with local citizens and conditions is at issue. On four separate visits to district offices conducted during the course of this study (three in Ostrava, one in Prague), activity was noticeable only once, in the largest district office. Then again, upon questioning, mayors report infrequent communication with City Assembly, City Council or City Hall members residing in their boroughs. And, the Ostrava Union of Mayors that meets on a periodic basis with the Lord Mayor performs only an advisory role to city authorities and may serve more effectively as an information exchange for district mayors.

### ***Economic Costs of Sub-Districting***

The economic costs of sub-districting have been roughly estimated by assuming a pattern of district consolidation based upon the following criteria:

- Ideal sub-district size for self governance and state administration purposes ranges from 50,000 to 90,000 inhabitants, consistent with the absence of territorial subdivision in statutory cities of less than 100,000. (The redistricting of Prague may average 60,000 inhabitants per district.)



- District boundaries should respect existing and proposed development conditions, including major roadway networks, natural centers, and greenway buffers, as depicted in the Master Plan.
- To the extent feasible, district boundaries should conform to major service delivery areas that have evolved in distribution of centrally controlled activities, such as fire rescue and municipal police.

Using these criteria, the City of Ostrava was subdivided into five (5) super-districts for illustrative computational purposes. The computation of the economic costs of sub-districting assumes that the average annual labor productivity and district employment per capita ratios of the most efficient (and typically, largest) sub-district in each super-district will prevail for all adjoining areas under a pattern of redistricting. The five super-districts are comprised of the 23 sub-districts as follows:

- *Area One (Population of 96,483)*
  - Krasne Pole
  - Martinov
  - Plesna
  - Polanka nad Odrou
  - Poruba
  - Pustkovec
  - Svinov
  - Trebovice
- *Area Two (Population of 65,129)*
  - Hostalkovice
  - Lhotka
  - Marianske Hory a Hulvaky
  - Moravska Ostrava a Privoz
  - Nova Ves
  - Petrkovice
- *Area Three (Population of 64,611)*
  - Ostrava-Jih (part)
  - Proskovice
  - Stara Bela
- *Area Four (Population of 72,710)*

- Hrabova
  - Ostrava-Jih (part)
  - Nova Bela
  - Vitkovice
- *Area Five (Population of 28,788)*
    - Michalkovice
    - Radvanice a Bartovice
    - Slezska Ostrava

**Table 6**  
**Public Sector Existing and Projected Productivity in Ostrava Sub-Districts, Constant 1996**  
**Values**

Sub-District	Existing Productivity		Projected Productivity		
	Annual Expenses/ Annual Payroll	F/T Employees per 1,000 Population	F/T Employees per 1,000 Population	Annual F/T Payroll ( '000s CZK)	Annual Budget ( '000s CZK)
Hostalkovice	7:1	8.56	5.5	977	20,651
Hrabova	13:1	6.98	3.5	1,248	17,514
Krasne Pole	6:1	11.23	4.0	840	8,659
Lhotka	10:1	15.81	5.5	611	12,910
Marianske Hory a Hulvaky	18:1	6.98	5.5	8,665	183,155
Martinov	6:1	18.55	4.0	462	4,765
Michalkovice	6:1	11.55	4.5	1,449	15,902
Moravska Ostrava a Privoz	21:1	5.41	5.5	29,483	623,187
Ostrava-Jih	14:1	2.48	3.5	43,912	616,199
Nova Bela	7:1	14.27	3.5	535	7,501
Nova Ves	11:1	21.74	5.5	414	8,761
Petrkovice	5:1	12.74	5.5	1,768	37,371
Plesna	8:1	12.72	4.0	438	4,517
Polankanad Odrou	9:1	6.09	4.0	1,760	18,154
Poruba	10:1	3.05	4.0	34,757	358,507
Proskovice	6:1	10.28	3.5	389	5,452
Pustkovec	2:1	18.65	4.0	414	4,266
Radvanice a Bartovice	15:1	4.29	4.5	3,271	35,910

Slezska Ostrava	11:1	7.58	4.5	10,818	118,750
Stara Bela	11:1	6.17	3.5	1,118	15,684
Svinov	10:1	11.11	4.0	1,967	20,293
Trebovice	6:1	12.08	4.0	709	7,315
Vitkovice	10:1	14.17	3.5	2,665	37,392
City Total	13:1			148,670	2,182,818

Note: F/T is full-time

Source: Ostrava Department of Finance

Table 6 on the previous page presents measures of public sector labor productivity for the 23 sub-districts under existing conditions, or actual annual outlays (CZK) per unit of labor input (1 CZK) as previously discussed, and full-time district employment per thousand district inhabitants. In each of the defined super-districts, the prevailing labor productivity and employment per capita ratios of the most efficient sub-district were applied (with some exceptions) to all the adjoining sub-district areas. The ratio of full-time employment per capita under projected productivity conditions is shown in the third column of Table 6. The resulting computation of annual payroll and total expenditures by sub-district are shown in columns four and five. Under the illustrative conditions of redistricting, these computations reveal that annual outlays for full-time payroll of the administrative sub-districts would decline by 6.5 percent, from 159.0 million CZK to 148.7million CZK, while the level of service production implicit in the annual expenditure budgets of the administrative sub-districts would increase by 4.9 percent, from 2.08 billion CZK to 2.18 billion CZK. Alternatively, payroll levels could be held constant and service production would increase by more than 10 percent.

It is to be noted that these computations are purely illustrative and not controlled for differences in the mix of services delivered by sub-district. Moreover, redistricting proposals that would consolidate the delivery of self government services in a handful of sub-districts, as well as transfer back most state administrative services to municipal authority, would yield additional cost savings not estimated in these results. Computerization of building permit and population registry duties will entail initial investment outlays, but should yield long term savings. And, consolidation of road maintenance services in the Communications Authority will increase social benefits and lower operating costs. Lastly, strategic disposition and proper valuation of the communal housing stock and other property, as well as control of borrowing, will build long term increases in capital resources.

## **EVALUATION OF ALTERNATIVE ADMINISTRATIVE REFORMS AND NEEDED RESEARCH**

Throughout the course of this study, various alternative administrative reforms have been suggested by those interviewed and research needs have come to fore. The section briefly identifies the alternatives, describes pros and cons of their approach, and proposes research that might be implemented by Ostrava's higher educational institutions. To date, the Economics Faculty of The Technical University has assisted the City of Ostrava in studying the effectiveness of central government services. Further cooperative arrangements should be encouraged if fruitful.

### ***Elimination of Sub-Districts***

The City of Ostrava, other magistrate towns, and other large statutory cities have historically been territorially subdivided for purposes of state delegation and delivery of public services. This reform would eliminate sub-districts in Ostrava altogether, and centralize all state administration and self government functions in the municipal authority. It was apparent to most observers, at the national and local level, and in the City of Prague, that large cities cannot function without some decentralization of service delivery and direct local contact with citizens. Doing so would prove to be a disbenefit to the areas in the long run.

### ***Regional Government***

It has been observed that one level of government is missing in the Czech Republic: regional government. While the National Council is expected to reform Regional Districts, probably in the direction of greater consolidation of territory around metropolitan areas, the timing and full consequences of these changes are not yet apparent. Unless some stronger form of regional government is created, the major cities will have to take care of small villages and communities that seek annexation. Several alternative visions were offered in this regard.

#### **Sub-district Home Rule and Regional Government**

Several district mayors and UTC representatives spoke strongly for decreasing the pressure on the central administration of the City by giving municipal status to each sub-district, with all attendant powers and financial resources. Then, the new municipalities (former sub-districts) could delegate up to a metropolitan-type government the functions that have regional implications and cost-savings from agglomeration, like public transportation. To avoid fiscal zoning, some element of municipal tax-base sharing should occur to redistribute resources by population.

#### **De-annexation of Small Villages and Communities**

The small village and communities recently annexed to Ostrava should be released from the city boundaries and given independent municipal entity status. While this would increase subsidies going directly to the de-annexed municipalities, it would also increase



their costs, such as the purchase of transportation services from the Ostrava Transport Enterprise. The City of Ostrava would perform dual functions as a city and a county, with only de-annexed villages and communities being part of the county. As independent communities, the small areas would have to deal more responsibly with their budgets and property resources. For the City of Ostrava, these changes would result in operating cost advantages, from not having to cover potential deficits of these communities, but there would also be capital resource losses, from the removal of expansion territory (including developmental areas where D 47 and the proposed canal are located) and the loss of sunk costs in infrastructure investments.

### ***Reform of the Division of Services and Administration Responsibilities***

The current division of services and administrative responsibilities might be reallocated to return all state administration duties to the municipal authority, centralizing some services (building permits, population registration, property management) with GIS-based information technology, while delegating other duties to free-standing offices (education and old age care). Certain services and powers associated with self-governance (communal road maintenance) should be assumed by central service providers (Communications Authority), while restrictions should be placed on the ability to borrow and sell communal property. With reform in the division of services and administrative powers, the 23 sub-districts of Ostrava might evolve into the “political model” of Brno, and become less the functional arm of the city government.

### ***Preferred Approach: Consolidation of 23 Sub-Districts into Fewer Sub-Districts***

The analysis conducted for this study supports the conclusion that Ostrava should consolidate the existing 23 sub-districts into five or six super-districts, roughly of the scale of 60,000 inhabitants on average. Certain state administrative duties should be transferred back to the city authority, including building permit authorization, population registration, and property management. Certain services delivered under the power of self governance, such as communal road maintenance, should be assumed by the centralized service provider in existence. The newly constituted larger City Districts should be assisted to train and equip their bureaucracies with new information technology, so that services are efficiently and cost-effectively provided. To assure a smooth transition, reform would have to be carefully prepared and should occur only after national level reform of Regional Districts.

### ***Other Reform Considerations***

If sub-district consolidation and some delimitation of sub-district responsibilities occur, it might be appropriate to consider two additional changes to the structure of

Ostrava's government. The first would create a second tier of the City Assembly comprised of the elected mayors, who would be given some decision-making power at the citywide level in lieu of proportional representation in the existing assembly body. The second consideration would give the limited number of large sub-districts a stronger voice in land use development policy. It would establish a "land use review period" in which proposed developments of a specified scale would be evaluated and approved/disapproved subject to conditions defined by the host district, before the proposed developments are voted on in the City Assembly. The Assembly would be required to take district conditions into consideration in the final determination. Such a policy, currently in effect in New York City's 59 community districts, empowers neighborhoods with a greater voice over their future while, at the same time, taking citywide needs into perspective.

### ***Needed Research***

Research could usefully be performed on the following topics:

- Optimum sized service territories for delivering local government services by function;
- Strategic planning for the privatization of communal housing stock; and
- Relationship between real estate taxation and property valuation;